

MAR 23 1999

Before the
FEDERAL COMMUNICATIONS COMMISSION Federal Communications Commission
 Washington, D.C. Office of Secretary

In the Matters of)
 Petitions for Waivers Filed by) AAD 95-30
)
 Champlain Valley Telecom, Inc.,)
 Northland Telephone Company of)
 Vermont and Vermont Telephone)
 Company, Inc.)
)
 Concerning the Definition of "Study Area")
 in the Part 36 Appendix-Glossary)
 of the Commission's Rules)

CC: 96-45

To: Chief, Common Carrier Bureau

**EXPEDITED REQUEST FOR
 MODIFICATION OF WAIVER CONDITIONS**

Vermont Telephone Company, Inc. ("VTel"), by its attorney, respectfully submits this Expedited Request for Modification of Waiver Conditions ("Request") that were imposed upon VTel in *Champlain Valley Telecom, Inc. et al.*, 11 F.C.C. Rcd. 7111 (Com. Car. Bur. 1996) ("*Waiver Order*"). Specifically, VTel requests that the Common Carrier Bureau ("Bureau") allow VTel to correct the capped amount of universal service funding ("USF") authorized in the *Waiver Order* based on more accurate and updated financial and demand data than the 1992 data available at the time the cap was established.

In the *Waiver Order* the Bureau, through its then Accounting and Audits Division, granted the study area waiver requests of three local exchange carriers,¹ subject to a cap

¹ VTel, Champlain Valley Telecom, Inc. ("Champlain Valley") and Northland Telephone Company of Vermont ("Northland") each requested study area waivers as a result of their acquisition of exchanges from Contel of Vermont.

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on the maximum amount of USF that each carrier could expect to receive based on estimated amounts provided by the carriers.² Those initial estimates have proven inaccurate. In VTel's case, since the *Waiver Order* was issued, VTel's cost per loop has increased due to upgrades made in its telecommunications infrastructure and an increase in the number of VTel's working loops. As a result, the amount VTel would receive under the capped USF payment is insufficient to allow VTel to recover its actual current unseparated revenue requirement and cost per loop. VTel requests that the Bureau allow for a change in VTel's capped USF payments based on updated financial and demand data and subject to the parameters of the total amount of USF authorized for all three carriers.

I. THE BUREAU SHOULD ALLOW FOR MODIFICATION OF VTEL'S ANNUAL CAPPED USF PAYMENTS TO REFLECT MORE ACCURATE INFORMATION.

In the *Waiver Order*, the Bureau relied on estimates provided by the three carriers in establishing the capped USF amounts.³ At the time those estimates were calculated, the carriers relied on estimated information in arriving at each carrier's capped amount that, when totaled, would not exceed \$3,412,777, or slightly more than the amount previously received by Contel of Vermont. Based on actual operating experience since calculation of the original capped amounts, it appears that VTel's estimated proportionate amount of \$1,045,558 was understated. Therefore, VTel requests that its capped amount be recalculated within the confines of the total authorized amount of \$3,412,777.

² *Waiver Order* at ¶ 23 and n. 37.

³ *Waiver Order* at ¶ 23.

A. Estimates Used to Establish the Initial Capped Amounts Were Not Representative of Subsequent Experience.

In determining the need to impose limits on USF draws for the three carriers, the Bureau was skeptical of the estimates provided.⁴ Based on past experience, the Bureau did not find it uncommon for USF payments to some local exchange carriers filing study area waivers to rise by unexpected amounts. In the instant case, the three carriers used 1992 USF cost information from Contel of Vermont in arriving at estimates of USF payments for each individual carrier. However, actual experience later revealed that the Contel of Vermont data did not permit an accurate allocation of costs within Contel of Vermont's study area. A copy of the USF calculations from the original study area waiver request⁵ is attached as Exhibit 1.

For VTel, an estimated cost per loop of \$366.21 was calculated. The estimate was based on 17,599 working loops and resulted in an estimated annual USF payment of \$1,045,558, or \$4.95 per loop per month, which ultimately became VTel's capped amount. For one of the other carriers, Champlain Valley, an initial estimated cost per loop of \$411.97 was calculated, which was later revised by the Bureau to \$428.44 when combined with Waitsfield-Fayston Telephone Company's ("Waitsfield")⁶ cost per loop. Based on the revised cost per loop, Champlain Valley's estimated and capped USF payment was set at \$1,819,419, or \$8.84 per loop per month. The third carrier, Northland, had an estimated cost per loop of \$436.73 for 4,878 loops and estimated and

⁴ Waiver Order at ¶ 22.

⁵ Champlain Valley Telecom, Inc., Vermont Telephone Company, Inc. and Northland Telephone Company of Vermont Joint Petition for Waiver of the Definition of "Study Area" in Part 36, Appendix-Glossary of the Commission's Rules, filed February 14, 1995.

⁶ Waitsfield was an affiliate of Champlain Valley.

capped USF payments of \$547,800, or \$9.36 per loop per month.

While the three carriers used their best efforts in calculating estimated USF payments, it must be recognized that the amounts used were just that, estimates. At the time, the carriers could not know precisely how Contel of Vermont had allocated its 1992 costs throughout its Vermont study area. Based on the 1998 USF data submission to the Commission,⁷ VTel's cost per loop based on December 31, 1997 financial and demand data has increased to \$391.56 and the number of working loops has increased to 19,827. As a result, preliminary USF payments to VTel for 1999 were reported to be \$1,349,177 prior to application of the cap imposed by the Bureau. Since the 1998 USF data submission, VTel's cost per loop and estimated annual USF payments for 1999 have been recalculated and submitted to NECA. Using data from VTel's 1997 interstate toll cost study, VTel's cost per loop increased to \$423.69, resulting in estimated annual USF payments for 1999 of \$1,827,113. The revised USF calculations have been verified and accepted by NECA and were subsequently utilized by NECA in re-sizing the current USF. A calculation of VTel's latest estimated USF payments is attached as Exhibit 2.

For the same time period, the cost per loop of Champlain Valley-Waitsfield (Champlain Valley merged into Waitsfield on January 1, 1999--their study areas had always been combined) dropped to \$380.27 from the original estimated amount of \$428.44. As a result, estimated 1999 USF payments to Champlain Valley-Waitsfield, based on available public data, appear to be \$1,176,705, or approximately \$643,000 less than its original capped amount.

⁷ See Universal Service Fund 1998 Submission of 1997 Study Results by the National Exchange Carrier Association, Inc. ("NECA"), October 1, 1998.

At the time that each of the three carriers established its estimated cap, upgrades to the facilities purchased from Contel of Vermont had not yet commenced. With the upgrades and corrections of errors in the Contel of Vermont records and investments made by VTel and Champlain Valley-Waitsfield since the acquisition, VTel's share of the total original capped amount has risen, while Champlain Valley-Waitsfield's portion has dropped. Experience has shown that the costs per loop for VTel and Champlain Valley-Waitsfield are the converse of what the 1992 Contel of Vermont data had predicted. At the end of five years, VTel's cost per loop is \$423.69 and Champlain Valley-Waitsfield's cost per loop is \$380.27, yet Champlain Valley-Waitsfield's USF cap is 74% higher than VTel's. Since the Bureau had agreed to a total capped amount of \$3,412,777 in the *Waiver Order*, VTel respectfully requests that its initial capped amount be allowed to increase to a level commensurate with its current cost per loop, but not exceed the total amount of USF established in the *Waiver Order*.

Specifically, VTel requests that its capped USF payments for 1999 be allowed to increase to \$1,583,457 based on an allocation methodology utilizing latest USF payments to the original three carriers. For Northland and Champlain Valley-Waitsfield, USF payments, based on available public data, are estimated to be \$735,037 and \$1,176,704, respectively. With VTel's 1999 USF payments estimated to become \$1,827,113, the combined 1999 USF payments for all three carriers would therefore be \$3,756,854, exceeding the original capped amount by \$344,077. VTel suggests that this USF overage be allocated between VTel and Northland in order to maintain the original capped amount. A calculation of the allocation methodology is shown in Exhibit 3.

As shown in Exhibit 3, VTel's USF payments would increase to \$1,583,457, up from VTel's \$1,045,558 cap, although down from VTel's 1999 amount of \$1,827,113 submitted to NECA. Northland's USF payments would increase to \$652,616, up from Northland's \$547,800 cap, although down from Northland's 1999 amount of \$753,037 submitted to NECA. USF payments to Champlain Valley-Waitsfield for 1999 would remain at \$1,176,704, since VTel believes that USF payments already authorized to be paid should not be reduced. VTel requests that this allocation methodology continue to be utilized on an annual basis for determination of USF payments to the three carriers until the impact of the Commission's May 8, 1997 universal service decision⁸ on USF capping has been resolved.

B. RESULTS OF ACTUAL OPERATIONS DEMONSTRATE THAT THE CAPPED USF AMOUNT IS INSUFFICIENT.

Consistent with its commitments in the original study area waiver petition, VTel has spent significant time and money upgrading the facilities and services it acquired from Contel of Vermont. Customers of VTel enjoy state-of-the-art telecommunications service provided through the latest in switching and fiber optic technology. For example, VTel has upgraded all of its exchanges to DMS-100 technology, enabling CLASS services and ISDN to be available to some 20,000 access lines. VTel was one of the first telephone companies in the United States to offer Internet service, and today is the first telephone company in Vermont to offer ADSL. All of the upgrades made by VTel have come without any increase in basic local exchange service rates. When it provided the Bureau with an estimated figure for USF back in 1995, VTel never assumed that the USF

⁸ See *Federal-State Joint Board on Universal Service*, 12 F.C.C. Rcd. 8776 (1997) ("Universal Service Order").

cap would stay in place for so long, especially since it was likely that the entire USF mechanism would be reviewed and possibly changed in the near future.⁹

Since the *Waiver Order* was issued back in June 1996, the total high-cost portion of the USF has grown from approximately \$777 million¹⁰ to \$864 million today, an increase of 11.2%. While other carriers receive additional annual amounts of USF compensation for upgrading their facilities consistent with the Telecommunications Act of 1996 and the *Universal Service Order*, VTel is left with a capped amount insufficient to recover its current unseparated revenue requirement and cost per loop.¹¹ Moreover, approximately \$643,000 (\$3,412,777 in USF pursuant to the *Waiver Order* less established 1999 payments to the three carriers) in 1999 USF that was originally earmarked for the three carriers in Vermont is now going to other carriers across the nation. Accordingly, VTel respectfully requests that its capped USF amount be recalculated based on current financial information and working loops utilizing the allocation methodology described herein.

II. VTTEL'S SUBSCRIBERS WILL SUFFER IF THE BUREAU DOES NOT MODIFY THE CAP.

In granting the study area waiver to VTel, the Bureau found that the grant would serve the public interest.¹² When the Telecommunications Act of 1996 was enacted, one of its main goals was to insure that subscribers residing in rural areas would receive

⁹ See *Universal Service Order*, *supra*. See also 47 C.F.R. § 54.305.

¹⁰ Universal Service Fund 1996 Submission of 1995 Study Results by NECA, October 1, 1996.

¹¹ VTel's unseparated loop revenue requirement at December 31, 1997 was approximately \$8.67 million, or an increase over the estimated 1994 figure of \$6.45 million. Meanwhile VTel's number of working loops rose 12.7% from 1994 to 1997.

¹² *Waiver Order* at ¶ 4.

telecommunications services at rates comparable to rates for similar services offered in urban areas. Because of the inherent cost differential of providing comparable services in rural areas, rural carriers like VTel¹³ find it increasingly difficult to maintain their current telecommunications infrastructure without sufficient financial support from the USF. Demands being placed upon VTel by new customers moving into its service territory and the ever increasing amount of technological change will mean that without sufficient amounts of USF, it will become increasingly difficult for VTel to maintain its commitment to bring the information superhighway to families, students, small businesses and other customers in the most rural and inaccessible parts of Vermont.

Accordingly, the Bureau should modify the cap placed on VTel consistent with cost levels that reflect actual operations and that promote the principles of universal service contained in the Telecommunications Act of 1996 and the *Universal Service Order*.

III. ANY ADJUSTMENT TO VTEL'S USF PAYMENTS SHOULD BE RETROACTIVE TO JANUARY 1, 1999.

VTel respectfully requests that any adjustment to its USF payments approved by the Bureau be made retroactive to January 1, 1999. Even with USF payments capped, VTel has continued to make the necessary upgrades to its operations to ensure delivery of quality telecommunications services to all customers in its service territory. Results from the current USF mechanism in place indicate that 1999 USF payments for VTel will exceed the amount capped by the *Waiver Order*. In order that VTel not suffer from the uncertainty created by a possible lengthy decision-making process, any adjustments to USF payments should be made retroactive to January 1, 1999.

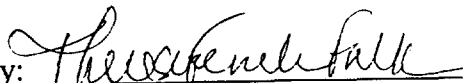
¹³ VTel has been classified as a rural carrier by the Commission.

IV. CONCLUSION.

VTel respectfully requests that the Bureau allow modification to VTel's capped USF amount based on current financial and demand data, but within the confines of the total amount of USF authorized in the *Waiver Order* and utilizing the allocation methodology suggested. Good cause having been shown, VTel respectfully requests grant of this Request on an expedited basis.¹⁴

Respectfully submitted,

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Dated: March 12, 1999

¹⁴ VTel understands that there are a number of petitions pending asking the Commission to rule that the *Universal Service Order* supercedes USF caps imposed on carriers acquiring exchanges prior to May 7, 1997. Should the Commission make that determination, the instant Request would be rendered moot. VTel is submitting this Request in the interim, and subject to any future ruling by the Commission on the validity of USF caps.

VERMONT TELEPHONE COMPANY, INC. Exhibit 1
March 12, 1999

USF CALCULATION

	Champlain	Vermont	Northland
1 National Average Cost Per Loop	\$239.83	\$239.83	\$239.83
2 115% of National Average	275.80	275.80	275.80
3 150% of National Average	359.75	359.75	359.75
4 Study Area Cost Per Loop	411.97	366.21	436.73
5 Line 3 – Line 2	83.94	83.94	83.94
6 Line 4 – Line 3	52.23	6.46	76.99
7 Number of Working Loops	12,497	17,599	4,878
8 65% x Line 5	54.56	54.56	54.56
9 75% of Line 6	39.17	4.85	57.74
10 Annual Support [(Line 8 + Line 9) x Line 7]	\$1,171,344.75	\$1,045,557.91	\$547,799.77
 TOTAL USF FOR 3 STUDY AREAS	 \$2,764,702.42		
 CONTEL OF VERMONT 1994 USF	 \$2,745,070.68		
 INCREASE	 \$19,631.74		

**USF CALCULATION FOR CHAMPLAIN
AND WAITSFIELD**

	Champlain	Waitsfield	Combined
1 National Average Cost Per Loop	\$239.83	\$239.83	\$239.83
2 115% of National Average	275.80	275.80	275.80
3 150% of National Average	359.75	359.75	359.75
4 Study Area Cost Per Loop	411.97	472.83	437.61
5 Line 3 – Line 2	83.94	83.94	83.94
6 Line 4 – Line 3	52.23	113.09	77.86
7 Number of Working Loops	12,497	4,656	17,153
8 65% x Line 5	54.56	54.56	54.56
9 75% of Line 6	39.17	84.81	58.40
10 Annual Support [(Line 8 + Line 9) x Line 7]	\$1,171,344.75	\$648,930.35	\$1,937,604.17

SEPARATE STUDY AREAS

Champlain	\$1,171,344.75
Waitsfield	648,930.35
	=====
Total	\$1,820,275.10 **

COMBINED STUDY AREAS \$1,937,604.17

DOLLAR INCREASE FOR COMBINED STUDY AREA \$117,329.07

** In granting the study area waivers requested on February 14, 1995, the Bureau corrected this number to \$1,819,419, which became Champlain Valley-Waitsfield's capped USF amount. See Champlain Valley Telecom, Inc. et al., 11 F.C.C. Rcd. 7111, 7116 and n. 25 (1996).

Universal Service Fund
Loop Cost Algorithm
1998 Data Collection Form (For 1999 Payments)

	<u>W/OUT CAP</u>	<u>WITH CAP *</u>
1. Study Area USF Cost per Loop	423.69	423.69
2. National Average Cost per Loop	251.39	251.39
3. 115% of Line 2	289.10	289.10
4. 150% of line 2	377.09	377.09
5. Loop Cost In Excess Of 115% and Less Than 150%	87.99	87.99
6. Loop Cost In Excess Of 150%	46.60	46.60
7. Line 5 x .65	57.194	57.194
8. Line 6 x .75	34.950	34.950
9. Interstate Expense Adjustment/Loop	92.144	92.144
10. Total USF Payments For Calendar Year 1999	\$1,827,113	\$1,827,113
11. Annual Gain (Loss) Due to Cap on Corporate Operations Expense		\$0
		\$152,259

* With Corporate Operations Cap per FCC's May 8, 1997 Universal Service Order

National Exchange Carrier Association, Inc.
Universal Service Fund
1998 Data Collection Form (For 1999 Payments)

Exhibit 2
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SA Code: 147332

SA Name: Vermont Telephone Company

Region: 2

I. EXCHANGE CARRIER/DATA IDENTIFICATION

(010)	Study Area Code	(010)	147332
(020)	Contact Name	(020)	0
(030)	Contact Name Telephone Number	(030)	(301) 459-7590
(040)	USF Data Collection Period	(040)	98-1

Data Line	Description	Latest View 1996 Amount	Data Line	Enter 1997 Amount	Data Source
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II. WORKING LOOPS

(060)	Total Loops (Cat. 1.1, 1.2 and 1.3)	20,067	(060)	20,389	Loop Worksheet
(070)	Category 1.3 Loops (Excluding Cat 1.3 TWX Loops)	19,827	(070)	19,829	Loop Worksheet
(080)	Reserved	No Entry Required			

III. INVESTMENT, EXPENSE AND TAXES

NET PLANT INVESTMENT

(160)	Acct. 2001 - Telephone Plant in Service	43,201,732	(160)	43,380,604	General Ledger
(170)	Acct. 1220 - Material and Supplies	386,603	(170)	238,707	General Ledger
(190)	Acct. 3100 - Accumulated Depreciation	28,985,359	(190)	28,969,368	General Ledger
(195)	Acct. 3400 - Accumulated Amortization Tangible	4,740	(195)	23,140	General Ledger
(200)	Reserved	No Entry Required			
(205)	Reserved	No Entry Required			
(210)	Acct. 4340 - Net Noncurrent De- ferred Operating Income Taxes	0	(210)	0	General Ledger
(220)	Net Plant Investment (Sum of Lines 160 + 170 minus Lines 190 through 210)	14,598,236	(220)	14,626,803	Calculated Total

National Exchange Carrier Association, Inc.
Universal Service Fund
1998 Data Collection Form (For 1999 Payments)

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SA Name: Vermont Telephone Company

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Data Line	Description	Latest View 1996 Amount	Data Line	Enter 1997 Amount	Data Source
Selected Plant Accounts					
(230)	Acct. 2210 - Central Office Switching Equipment	10,272,913	(230)	7,298,117	General Ledger
(235)	Acct. 2220 - Operator System Equipment	0	(235)	0	General Ledger
(240)	Acct. 2230 - Central Office Transmission Equipment	3,100,592	(240)	6,148,272	General Ledger
(245)	Total Central Office Equipment (Sum of Lines 230 thru 240)	13,373,505	(245)	13,446,389	Calculated Total
(250)	Circuit Equipment Category 4.13	3,100,000	(250)	4,133,771	Cost Study
(255)	Acct. 2410 Cable and Wire Facilities Total	26,641,642	(255)	26,641,642	General Ledger
(260)	Acct. 3100 (2210) - Accumulated Depreciation Central Office Switching Equipment	8,194,394	(260)	5,818,587	General Ledger
(265)	Acct. 3100 (2220) - Accumulated Depreciation Operator System Equipment	0	(265)	0	General Ledger
(270)	Acct. 3100 (2230) - Accumulated Depreciation Central Office Transmission Equipment	1,819,000	(270)	4,267,690	General Ledger
(275)	Acct. 3100 (2210-2230) - Total Accumulated Depreciation Central Office Equipment (Sum of Lines 260 thru 270)	10,013,394	(275)	10,086,277	Calculated Total
(280)	Acct. 3100 (2410) - Accumulated Depreciation Cable and Wire Facilities	17,300,550	(280)	17,300,551	General Ledger

National Exchange Carrier Association, Inc.
Universal Service Fund
1998 Data Collection Form (For 1999 Payments)

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SA Name: Vermont Telephone Company

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Data Line	Description	Latest View 1996 Amount	Data Line	Enter 1997 Amount	Data Source
(285)	Reserved	No Entry Required			
(290)	Reserved	No Entry Required			
(295)	Reserved	No Entry Required			
(300)	Reserved	No Entry Required			
(305)	Reserved	No Entry Required			
(310)	Acct. 4340 (2210) - Net Noncurrent Deferred Operating Income Taxes - Central Office Switching Equipment	0	(310)	0	Calculated
(315)	Acct. 4340 (2220) - Net Noncurrent Deferred Operating Income Taxes - Operator System Equipment	0	(315)	0	Calculated
(320)	Acct. 4340 (2230) - Net Noncurrent Deferred Operating Income Taxes - Central Office Transmission Equipment	0	(320)	0	Calculated
(325)	Acct. 4340 (2210 - 2230) - Net Noncurrent Deferred Operating Income Taxes - Central Office Equipment (Sum of Lines 310 through 320)	0	(325)	0	Calculated Total
(330)	Acct. 4340 (2410) - Net Noncurrent Deferred Operating Income Taxes - Cable and Wire Facilities	0	(330)	0	Calculated

National Exchange Carrier Association, Inc.
Universal Service Fund
1998 Data Collection Form (For 1999 Payments)

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SA Code: 147332

SA Name: Vermont Telephone Company

Region: 2

Data Line	Description	Latest View 1996 Amount	Data Line	Enter 1997 Amount	Data Source
Plant Specific Operations Expense					
(335)	Acct. 6110 - Network Support Expense Total	11,860	(335)	11,860	General Ledger
(340)	Acct. 6110 - Benefits Portion of Network Support Expense	273	(340)	273	General Ledger
(345)	Acct. 6110 - Rents Portion of Network Support Expense	3,886	(345)	3,886	General Ledger
(350)	Acct. 6120 - General Support Expense - Total	447,158	(350)	447,158	General Ledger
(355)	Acct. 6120 - Benefits Portion of General Support Expense	23,651	(355)	27,850	General Ledger
(360)	Acct. 6120 - Rents Portion of General Support Expense	134,883	(360)	153,384	General Ledger
(365)	Acct. 6210 - Central Office Switching Expense - Total	430,812	(365)	430,812	General Ledger
(370)	Acct. 6210 - Benefits Portion of Central Office Switching Expense	31,572	(370)	31,572	General Ledger
(375)	Acct. 6210 - Rents Portion of Central Office Switching Expense	2,928	(375)	2,928	General Ledger
(380)	Acct. 6220 - Operator System Expense - Total	0	(380)	0	General Ledger
(385)	Acct. 6220 - Benefits Portion Operator System Expense	0	(385)	0	General Ledger
(390)	Acct. 6220 - Rents Portion of Operator System Expense	0	(390)	0	General Ledger
(395)	Acct. 6230 - Central Office Expense - Transmission Equipment - Total	183,688	(395)	183,688	General Ledger

National Exchange Carrier Association, Inc.
Universal Service Fund
1998 Data Collection Form (For 1999 Payments)

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SA Name: Vermont Telephone Company

Region: 2

Data Line	Description	Latest View 1996 Amount	Data Line	Enter 1997 Amount	Data Source
(400)	Acct. 6230 - Benefits Portion of Central Office Expense - Transmission Equipment	11,497	(400)	11,497	General Ledger
(405)	Acct. 6230 - Rents Portion of Central Office Expense - Transmission Equipment	0	(405)	0	General Ledger
(410)	Acct. 6210 - 6230 Central Office Expense Total (Sum of Lines 365 + 380 + 395)	614,500	(410)	614,500	Calculated Total
(415)	Reserved	No Entry Required			
(420)	Reserved	No Entry Required			
(425)	Reserved	No Entry Required			
(430)	Acct. 6410 - Cable and Wire Facilities Expense - Total	1,115,858	(430)	1,115,858	General Ledger
(435)	Acct. 6410 - Benefits Portion Cable and Wire Facilities Expense	122,859	(435)	122,859	General Ledger
(440)	Acct. 6410 - Rents Portion of Cable and Wire Facilities Expense	227,040	(440)	227,040	General Ledger
(445)	Total Plant Specific Expense (Sum of Lines 335 + 350 + 365 + 380 + 395 + 415 + 430)	2,189,376	(445)	2,189,376	Calculated Total
Plant Non Specific Expense					
(450)	Acct. 6530 - Network Operations Expense - Total	2,453,468	(450)	2,442,740	General Ledger
(455)	Acct. 6530 - Benefits Portion of Network Operations Expense	229,591	(455)	229,591	General Ledger

National Exchange Carrier Association, Inc.
Universal Service Fund
1998 Data Collection Form (For 1999 Payments)

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Region: 2

Data Line	Description	Latest View 1996 Amount	Data Line	Enter 1997 Amount	Data Source
(460)	Reserved	No Entry Required			
(470)	Reserved	No Entry Required			
(480)	Reserved	No Entry Required			
(485)	Reserved	No Entry Required			
(500)	Reserved	No Entry Required			
(505)	Reserved	No Entry Required			
Depreciation & Amort. Expenses					
(510)	Acct. 6560 (2210) - Depreciation and Amortization Expense - Central Office Switching Equip	1,245,381	(510)	1,167,666	General Ledger
(515)	Acct. 6560 (2220) - Depreciation and Amortization Expense - Operator System Equipment	0	(515)	0	General Ledger
(520)	Acct. 6560 (2230) - Depreciation and Amortization Expense - Central Office Transmission Equipment	450,743	(520)	528,458	General Ledger
(525)	Acct. 6560 (2210 - 2230) - Depreciation and Amortization Central Office Equipment (Sum of Lines 510 thru 520)	1,696,124	(525)	1,696,124	Calculated Total
(530)	Acct. 6560 (2410) - Depreciation and Amortization Expense - Cable and Wire Facilities	1,645,114	(530)	1,645,114	General Ledger
Corporate Operating Expenses					
(535)	Acct. 6710 - Executive and Planning Expense - Total	215,604	(535)	215,604	General Ledger
(540)	Acct. 6710 - Benefits Portion Executive and Planning Expense	24,451	(540)	28,620	General Ledger

National Exchange Carrier Association, Inc.
Universal Service Fund
1998 Data Collection Form (For 1999 Payments)

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Data Line	Description	Latest View 1996 Amount	Data Line	Enter 1997 Amount	Data Source
(550)	Acct. 6720 - General Administrative Expense - Total	1,725,568	(550)	1,736,296	General Ledger
(555)	Acct. 6720 - Benefits Portion - General Administrative Expense	60,429	(555)	64,912	General Ledger
(565)	Total Corporate Operations Ex- pense (Sum of Lines 535 + 550)	1,941,172	(565)	1,951,900	Calculated Total
Other Expenses and Revenues					
(600)	Benefits Portion of All Operating Expenses - Total	629,531	(600)	642,382	General Ledger
(610)	Rents Portion of All Operating Expenses - Total	368,737	(610)	387,238	General Ledger
(620)	Reserved	No Entry Required			
(630)	Reserved	No Entry Required			
Taxes					
(650)	Acct. 7200 - Operating Taxes	869,034	(650)	1,652,289	General Ledger
(655)	Reserved	No Entry Required			
IV. PART 36 - COST STUDY DATA					
(700)	Cost Study Average Cable and Wire Facilities Acct. 2410	25,490,963	(700)	26,250,913	Cost Study
(710)	Cost Study Average Cable and Wire Facilities Cat 1 - Total Exchange Line C&WF Excluding Wide Band	23,596,689	(710)	24,095,403	Cost Study

National Exchange Carrier Association, Inc.
Universal Service Fund
1998 Data Collection Form (For 1999 Payments)

Exhibit 2
Page 9 of 9

SA Code: 147332

SA Name: Vermont Telephone Company

Region: 2

Data Line	Description	Latest View 1996 Amount	Data Line	Enter 1997 Amount	Data Source
V. AMORTIZABLE TANGIBLE ASSETS (Refer to instructions prior to completing this section.)					
(800)	Acct. 2680 - Amortizable Tangible Assets	0	(800)	0	General Ledger
(805)	Acct. 2680 (2230) - Amortizable Tangible Assets - Central Office Transmission Equipment	0	(805)	0	General Ledger
(810)	Acct. 2680 (2230) - Amortizable Tangible Assets - Central Office Transmission Equipment Allocated to Category 4.13	0	(810)	0	General Ledger
(815)	Acct. 2680 (2410) - Amortizable Tangible Assets - Cable and Wire Facilities	0	(815)	0	General Ledger
(820)	Acct. 2680 (2410) - Amortizable Tangible Assets - Cable and Wire Facilities Allocated to Category 1	0	(820)	0	General Ledger
(830)	Acct. 6560 (2680) - Depreciation and Amortization Expenses - Amortizable Tangible Assets	0	(830)	0	General Ledger

VI. COMMENTS / SIGNIFICANT CHANGE EXPLANATION

Data Line	Comments/Explanation
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VERMONT TELEPHONE COMPANY, INC.
March 12, 1999

Exhibit 3

Allocation Methodology for USF
Payments Beginning 1/1/99

	Current USF Cap	1999 Actual	Ratio To Cap
Northland Tel. Co.	\$547,800	\$753,037	\$652,616
Vermont Tel. Co.	\$1,045,558	\$1,827,113	\$1,583,457
Champlain - Waitsfield Tel. Co.	<u>\$1,819,419</u>	<u>\$1,176,704</u>	<u>\$1,176,704*</u>
	\$3,412,777	\$3,756,854	\$3,412,777

*Champlain-Waitsfield payments would remain at the 1999 level established

CERTIFICATE OF SERVICE

I, Theresa Fenelon Falk, hereby certify that I am an attorney with the law firm of Pillsbury Madison & Sutro, LLP, and that on this 12th day of March, 1999, I caused to be sent by first class United States mail, postage prepaid, a copy of the foregoing EXPEDITED REQUEST FOR MODIFICATION OF WAIVER CONDITIONS to the following:

Benjamin H. Dickens, Jr.
Susan J. Bahr
Blooston, Mordkofsky, Jackson & Dickens
2120 L Street, NW
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(Attorneys for Northland Telephone Company of Vermont
and Waitsfield-Fayston Telephone Company, Inc.)

Craig Brown **
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Common Carrier Bureau
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2100 M Street, NW
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Theresa Fenelon Falk

** Hand Delivered